



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENDERSON COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES
AND
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES**

April 27, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

**HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
SHERIFF'S SETTLEMENT-1999 UNMINED COAL TAXES
April 27, 2000**

Audit Opinion:

We have issued an unqualified opinion in our independent auditor's report. Our report contains no comments or recommendations.

Financial Statements:

For the 1999 tax year, the Henderson County Sheriff's office collected taxes totaling \$12,191,633. The financial statements reflect that the Sheriff is due refunds from the county \$426; library district \$61; heath district \$40; extension district \$24; school district \$1,078; and state \$223. The Sheriff's office earned commissions of \$373,665 for the collection of these taxes.

Notes To Financial Statements:

The Henderson County Sheriff earned \$30,236 as interest income on 1999 taxes. The Sheriff distributed the funds to the school district as required by statute, however the school district was over paid by \$4,208. A refund from the school district is due to the Henderson County Sheriff. The remainder of the interest earned will be used to operate the Sheriff's office.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 1999 TAXES	3
SHERIFF'S SETTLEMENT – 1999 UNMINED COAL TAXES	5
NOTES TO THE FINANCIAL STATEMENTS	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	11



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Sandy Lee Watkins, Henderson County Judge/Executive

Honorable Dennis Clary, Henderson County Sheriff

Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the Henderson County Sheriff's Settlement - 1999 Taxes as of April 27, 2000 and the Sheriff's Settlement - 1999 Unmined Coal Taxes as of April 27, 2000. These tax settlements are the responsibility of the Henderson County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Henderson County Sheriff's taxes charged, credited, and paid as of April 27, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Sandy Lee Watkins, Henderson County Judge/Executive

Honorable Dennis Clary, Henderson County Sheriff

Members of the Henderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated October 26, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
October 26, 2000

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

April 27, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,157,965	\$ 1,069,690	\$ 5,395,353	\$ 1,892,107
Tangible Personal Property	177,902	174,774	828,907	935,883
Intangible Personal Property				335,041
Fire Protection	1,089			
Franchise Corporation	80,299	77,915	374,126	
Additional Billings	346	410	1,612	563
Omitted Taxes	185	167	859	306
Increased Through Erroneous Assessments	1,926	1,867	8,975	8,120
Penalties	6,774	6,211	31,541	12,054
Adjusted to Sheriff's Receipt	(247)	(207)	(1,245)	(347)
Gross Chargeable to Sheriff	<u>\$ 1,426,239</u>	<u>\$ 1,330,827</u>	<u>\$ 6,640,128</u>	<u>\$ 3,183,727</u>
<u>Credits</u>				
Discounts	\$ 21,426	\$ 19,991	\$ 99,751	\$ 51,989
Exonerations	9,328	8,882	43,460	43,428
Delinquents:				
Real Estate	22,948	21,006	106,901	37,314
Tangible Personal Property	1,055	1,037	4,917	4,472
Intangible Personal Property				204
Oil	137	124	639	223
Interest	34	31	158	56
Additional and Omitted Bills	151	233	701	250
Total Credits	<u>\$ 55,079</u>	<u>\$ 51,304</u>	<u>\$ 256,527</u>	<u>\$ 137,936</u>
Net Tax Yield	\$ 1,371,160	\$ 1,279,523	\$ 6,383,601	\$ 3,045,791
Less: Commissions *	<u>58,562</u>	<u>54,380</u>	<u>127,672</u>	<u>129,734</u>
Net Taxes Due	\$ 1,312,598	\$ 1,225,143	\$ 6,255,929	\$ 2,196,057
Taxes Paid	1,308,200	1,220,592	6,234,551	2,900,411
Refunds (Current and Prior Year)	<u>4,685</u>	<u>4,550</u>	<u>21,808</u>	<u>15,643</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (287)</u>	<u>\$ 1</u>	<u>\$ (430)</u>	<u>\$ 3</u>

* and ** See Page 4

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
April 27, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	5,686,474
2% on	\$	6,383,601

** Special Taxing District:

Due Library District

\$ 1

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

April 27, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 10,249	\$ 9,291	\$ 47,752	\$ 16,668
Additional Bills	3,630	3,257	16,810	6,070
Penalties	132	120	615	215
Gross Chargeable to Sheriff	<u>\$ 14,011</u>	<u>\$ 12,668</u>	<u>\$ 65,177</u>	<u>\$ 22,953</u>
<u>Credits</u>				
Discounts	\$ 174	\$ 158	\$ 810	\$ 283
Exonerations	4	3	18	6
Delinquents	219	199	1,021	356
Total Credits	<u>\$ 397</u>	<u>\$ 360</u>	<u>\$ 1,849</u>	<u>\$ 645</u>
Net Tax Yield	\$ 13,614	\$ 12,308	\$ 63,328	\$ 22,308
Less: Commissions *	<u>579</u>	<u>523</u>	<u>1,267</u>	<u>948</u>
Net Taxes Due	\$ 13,035	\$ 11,785	\$ 62,061	\$ 21,360
Taxes Paid	<u>13,174</u>	<u>11,911</u>	<u>62,709</u>	<u>21,586</u>
Refunds Due Sheriff as of Completion of Fieldwork	<u>\$ (139)</u>	<u>\$ (126)</u>	<u>\$ (648)</u>	<u>\$ (226)</u>
* Commissions:				
4.25% on \$ 48,230				
2% on \$ 63,328				
** Special Taxing Districts:				
Library District		\$ (62)		
Health District		(40)		
Extension District		<u>(24)</u>		
Refunds Due Sheriff		<u>\$ (126)</u>		

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

April 27, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 27, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1999 through April 27, 2000.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 1, 1999 through April 27, 2000.

Note 5. Interest Income

The Henderson County Sheriff earned \$30,236 as interest income on 1999 taxes. The Sheriff distributed the funds to the school district as required by statute, however the school district was over paid by \$4,208. A refund from the school district is due to the Henderson County Sheriff. The remainder of the interest earned will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Sandy Lee Watkins, Henderson County Judge/Executive
Honorable Dennis Clary, Henderson County Sheriff
Members of the Henderson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Henderson County Sheriff's Settlement - 1999 Taxes as of April 27, 2000, and Sheriff's Settlement - 1999 Unmined Coal Taxes as of April 27, 2000, and have issued our report thereon dated October 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henderson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Sandy Lee Watkins, Henderson County Judge/Executive
Honorable Dennis Clary, Henderson County Sheriff
Members of the Henderson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 26, 2000

